

November 16, 2021 Council Meeting

A special meeting of the Council of the City of Martinsville, Virginia related to reversion was held on November 16, 2021 in Council Chambers, Municipal Building, at 6:00 PM with Mayor Kathy Lawson presiding. Other Council Members present included Danny Turner, Jennifer Bowles, Chad Martin and Tammy Pearson. Staff present included City Manager Leon Towarnicki and City Attorney Eric Monday.

City Attorney Eric Monday presented a PowerPoint which detailed why reversion is being pursued, challenges that are facing the City, and the reversion process. Monday explained that the City is financially stable and detailed how the reversion would affect Constitutionals and City departments. Monday explained the difference in reversion and a full consolidation. Council Members confirmed that although Martinsville has a good relationship with Henry County, the County was not interested in discussing consolidation or reversion options. Negotiations may still occur at any time and on any subject. The reversion can be cancelled up to 21 days after the court renders judgement. Monday detailed the changes to the City schools and what debts, contracts, and departments the City will maintain. Monday confirmed that the media's report that the City would lose 500 jobs was false and fabricated; the City does not have 500 jobs and no one from the media had called the City about this. All urban services will continue on at least the same level or better including Public Works, the Electric Department, Fire and Rescue, etc. Monday detailed the County's need for constitutional and school employees after the reversion and stated it appears at this time that there could be options available for anyone wishing to be hired by the County. The City will retain their own debt, they are not pushing the City's debt off on the County. Monday also touched on accumulating Henry County debts of \$94 million related to Meadow View Elementary, the Henry County jail and the potential reopening of the Smith River Water Plant; this debt is what will contribute to the proposed County tax increase in FY21-22 and not the \$5 million that Henry County will owe towards reversion. There are other misconceptions that the Martinsville High School will close and that taxes will double. Monday confirmed that some residents would receive 2 bills but that the overall total taxes due would not double. Monday shared that estimated savings to the Town of Martinsville resulting from reversion would be \$15.8million. Monday disputed the statement that the public has had no opportunity to speak on reversion; he detailed public presentations, work sessions, numerous Council meetings, neighborhood meetings, presentations, and public hearings which would have given residents ample opportunity to state opinions and ask questions. There have been no comments received at the email set up specifically for reversion and only one person, Commissioner of Revenue Ruth Easley, registered to attend tonight's meeting. Monday explained that the reason the City is unable to discuss some aspects related to the reversion is because there was a nondisclosure statement agreed upon by both the County and the City for topics discussed during mediation which legally binds them to not reveal those discussions.



Considering Reversion



Why Is Reversion Being Pursued?

- The cost to provide services for the citizens of Martinsville continues to increase, while revenue does not. Balancing the budget requires use of fund balance, increasing rates and fees, or significant reductions in service (or combinations of all 3).
- Continued use of fund balance to balance the annual budget is unsustainable.
- Reversion allows the possibility of consolidation of certain like services (schools and constitutional functions) with those currently provided by Henry County.

WHY does the City need to pursue Reversion?

We can deliver the same services we have today at a savings to the taxpayer with more money to have for capital/infrastructure needs.



Major Challenges Facing the City

Schools:

We have a steady declining population, meaning less state money each year. Schools look to the City to make up the difference.

State is about to re-calculate the LCI, which determines state funding. This will likely result in a further shift of funding burden to localities, approximately \$2M to combined Martinsville-Henry County. This will occur regardless of whether the City reverts.

Jail:

The Jail and City Farm are completely full, with annual costs of \$100-200K+ to house elsewhere. A jail expansion would be \$30M+ if built to state standards (with 25% covered by the state), or \$1-2M+ if a new metal pod is built without state aid for construction and annual operations.

Wastewater:

Henry County has refused to pay its \$6-8M share of the Smith River interceptor, and seeks to reopen its own system, which would lose the City \$1M in annual revenue.

Revenues:

City revenues are largely consumed by Schools and Public Safety, with very little discretionary funding left available for items such as economic development, social improvement programs and property maintenance.

TAIL WINDS

- City is financially stable.
THE CITY IS NOT BROKE NOR WILL IT EVER BE PROVIDED THAT WE CONTINUE TO MAINTAIN OUR FUND BALANCE.
- Fund balance is where it is supposed to be:
General Fund – 10% 3.1million
Utility Funds – 11 million
- Revenue sharing is coming but still 5-10 years away.
- Sound budget management allows savings to support new budget year.

HEADWINDS

- Services have been curtailed but minimal impact to citizens: Housing, Armory, Mustangs, Parks and Rec contracted out.
- Some taxes and fees have increased
 - Two separate Meals Tax rate increases – from 6% to 6.5% in FY14; and 6.5% to 7% in FY18 – no more increases possible.
 - Two water/sewer rate increases, and two electric rate adjustments
 - Cigarette tax increase in FY18
- Employees have been reduced, choices getting tougher.
- School population continues to decline (2453 in 2009, 1785 in 2019).
- City Jail capacity shortfall / Impact of County Jail.
- **Revenues stagnant and/or undersized.**
- Expenditures/needs will continue to exceed budget.
- Capital needs not supported with dedicated revenue stream sufficient to meet the needs.

Overall Summary

- The City can continue in the current ("treading water") mode of operations indefinitely, with continued reductions to offset increases. Ultimately there will be an impact to services & programs (required reductions) and required revenue sources (increase in taxes).

What is Town Reversion?

Partial consolidation of localities

Restores traditional town/county relationship, subject to special conditions

County – schools, social services, health & mental health, constitutional officers

Town – urban services (police, fire, water, sewer, etc.)

How Reversion Differs from Full Consolidation

County consent not required as in full merger

City may pursue without County's consent, but City must still meet legal requirements

Voter approval not required as in full merger

By creating a town government, residents retain control over urban services (water, sewer, police, fire, refuse collection)

• TO REVERT OR NOT TO REVERT, THAT WAS THE QUESTION

Advantages of Reversion

- Reduce residents' tax burden by spreading costs over larger tax base & eliminating service duplication
- Regain annexation authority after two years
- Reduce competition for businesses and increase regional cooperation
- State financial incentives offered

Disadvantages of Reversion

- High cost & aggravation of process
- Uncertainty of impact of special terms that may be imposed by court
- Loss of control over schools and certain other services, except indirectly as county voters
- Diminished civic pride from losing independent city status

Why Reversion?

- Local tax burden becomes unreasonably high in relationship to residents' income level – (i.e. can the city afford to remain independent?) City's has high fiscal stress rating.
- Tax base is static or declining, yet service expenditures are increasing
- Lack of competitive business sites reduces odds of solving financial problems within current boundaries

Three studies required:

1. effect on City,
2. on County,
3. and on Schools.

All Council members must vote on reversion, simple majority rules.

Negotiation may occur at any time, on any or all subjects.

Effects of Reversion

City may decide to cancel reversion up to 21 days after the court renders judgment.

Town eliminates:

1. School system (school buildings become HCPS property).
2. Constitutional Officers (but Jail and Farm remain town property).
3. Annexation moratorium (after two years).

Town keeps:

1. Current debt.
2. Current contracts.
3. All Departments (including Police, Fire & EMS).
4. All utility systems.
5. All Authorities, Boards (except School Board) and Commissions.
6. Ownership of all City properties except schools.



MYTHS ABOUT REVERSION

Citizen Questions or Comments

Questions or comments about reversion may be sent to town@ci.martinsville.va.us.
Please include your name, address and state whether you are a City resident.

Reversion will cost 500 jobs!

No one in the news media ever called anyone in the City about this.

Reversion Settlement MOU Section 10:

Continuation of Urban Services. Martinsville will continue to provide urban services to its town citizens in at least the same levels as it provided in its FY 2021 budget for all utility services, public safety, and MINET.

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Total City full time employees: 284

City utility (69), public safety (79) & MINET (1) jobs = 152

All other city jobs (admin (12), public works (85), others (35)) = 82

Constitutional employees (**Not** City employees; Constitutional Officers are independent):

Treasurer	5 (City likely will keep all)
Commissioner of Revenue	5 (City keeps 3, CoR eligible to retire, Assessor taken over by Henry County)
Commonwealth Attorney	9 (Comp Board auth 10 for new combined Henry County)
Circuit Court Clerk	7 (Clerk to retire, case load stays the same, Henry County Clerk indicates she will hire all who are interested)
Registrar	1 & occasional part time (Henry County Registrar has indicated interest in a satellite office here)
Sheriff	51 (Henry County is hiring our staff now; Henry County Sheriff's Dept. indicates a need for an additional 110 deputies)

Total 78

Schools	875 (avg.)
Teachers	167
Admin & Support	208
Students	1800 (approx.)

Note: Students taken into Henry County Public Schools continue to require this number of teachers to maintain current class sizes. Martinsville teachers will supply the most readily available talent pool to fill those positions.

The City is pushing off all debt onto the County!

Reversion Settlement MOU Section 11:

City Debt. The City shall retain all of its current debt following reversion. The City shall not incur any additional debt or agree to any encumbrances on properties being conveyed to the County.

The City shall retain all of its current debt following reversion.

Total City debt: \$82M

What's never mentioned:

cost of Henry County Meadow View Elementary: \$24M

cost of new Henry County jail: \$70M —

proposed cost to reopen Henry County's Lower Smith River sewer plant: \$24M

Martinsville High School is going to close!

Reversion Settlement MOU Section 15:

School Operations. The parties agree that they will jointly apply as soon as practicable to the Harvest Foundation to fund a comprehensive study of the consolidated school system, with a view to educational quality, the efficient use of facilities, racial and economic equity, costs, the consolidation of administrative functions, academic and pedagogical concerns, and student achievement. The Virginia Department of Education and Board of Education will be invited to participate in the study. In the event that the Harvest Foundation refuses to fund the study, the parties shall direct their lobbyists to pursue funding for such study from the state legislature. As part of the study process, at least two (2) public hearings shall be held.

§ 22.1-125. Title to property vested in school board; exception; extent of school board's authority.

The title to all school property, both real and personal, within a school division shall be vested in the school board . . .

§ 22.1-79. Powers and duties.

A school board shall:

1. See that the school laws are properly explained, enforced and observed;
2. Secure, by visitation or otherwise, as full information as possible about the conduct of the public schools in the school division and take care that they are conducted according to law and with the utmost efficiency;
3. Care for, manage and control the property of the school division and provide for the erecting, furnishing, equipping, and nonstructural operating of necessary school buildings and appurtenances and the maintenance thereof by purchase, lease, or other contracts;
4. Provide for the consolidation of schools or redistricting of school boundaries or adopt pupil assignment plans whenever such procedure will contribute to the efficiency of the school division;

Who's not making that decision: *County Board of Supervisors
County Administrator*

"We haven't made any decisions whatsoever." — Sandy Strayer, HCPS Superintendent

§ 22.1-79. Powers and duties.

A school board shall:

8. Obtain public comment through a public hearing . . . prior to providing . . . for the consolidation [closure] of schools . . .

\$9M spent improving Martinsville High School in 2011

Is 15 miles closer to the northern half of Henry County than Magna Vista

Is 12 miles closer to the eastern half of Henry County than Bassett

Currently, many Henry County students spend up to 2 hours on a school bus each day, to attend schools which are already near maximum capacity.

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Your taxes will double!

There will be two bills: one from the County, and one from the Town.
Two *bills* do NOT mean doubled taxes.

§ 58.1-3005. Cities and towns to make city and town levies; funds not available, allocated, etc., until appropriated.

The council of every city and town shall annually . . . order the imposition of taxes in such amount as in their opinion is necessary to be raised.

Patrick Henry: *I know of judging the future but by the past.....*

Martinsville reversion studies have consistently concluded reversion will result in an overall tax reduction for Martinsville taxpayers. Henry County residents not living in the town of Martinsville will see an overall increase.

Martinsville Council represents the residents of *Martinsville*. They are elected by the voters of Martinsville and are answerable to them at every election.

Tax rates are set annually.

There has not been a real estate tax increase in Martinsville since 2013.

Council just reduced the tax rate, after property assessments went up, to keep City resident's tax bills the same.

Currently estimated savings to Town resulting from Reversion: \$15,800,000.

Schools	\$6.1M
Jail	\$4.2M
DSS & Health Dept.	\$1.8M
Courts	\$2.9M
Constitutional functions	\$0.8M

The Public has had no opportunity to speak out on Reversion!

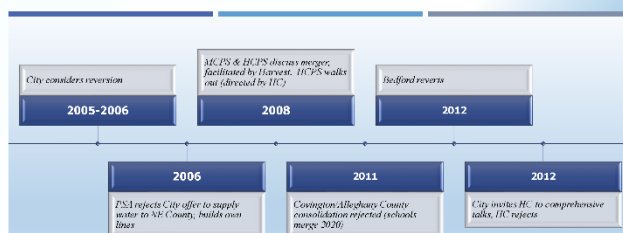
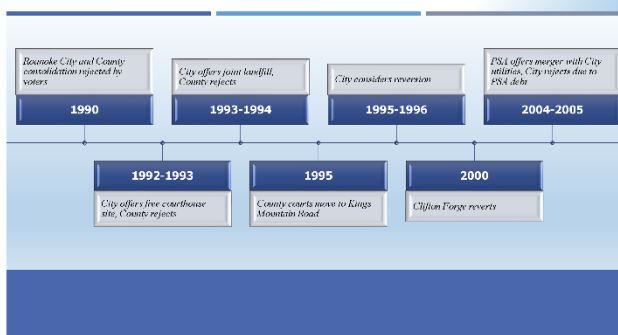
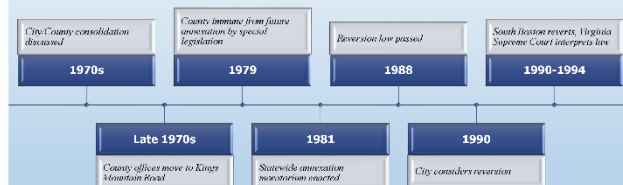
- Three public presentations in 2018 to hear from South Boston, Clifton Forge, and Bedford City & County.
- September 2018 Council work session on reversion.
Council voted to commission the required reversion studies on October 9, 2018.

Since the studies were commissioned:

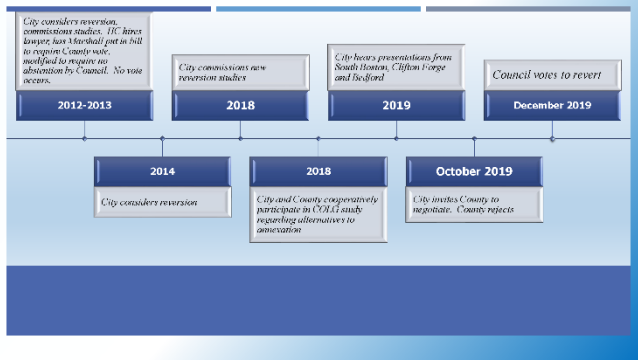
- Public comment during Council meetings (including submission on written comments during COVID): 68 (2018: 5, 2019: 22, 2020: 21, 2021: 20)
- Neighborhood meetings: 4
- Reversion-specific presentations: 8 (process, finances/budget, studies, process, status, MOU, VSA, VSA/process)
- Reversion-specific public hearings: 4 (12.16.19, 3s2021)

Number of reversion public comments received at town@ci.martinsville.va.us since being established in 2019: 0

Martinsville never talked to us! There's been no public input!



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Following Mr. Monday's presentation, Mayor Lawson invited the only person pre-registered to speak, Commissioner of Revenue Ruth Easley, to the podium. Easley expressed concern about the vagueness of the Volunteer Settlement Agreement and said that she had asked in the past how her department and the Treasurer's office would transition records and has gotten no response other than to "just do it". This process would not be quick or easy and will require additional cost and time by her employees. Easley referenced the Bedford VSA stating that it took Bedford five years to complete. Easley said Martinsville and Henry County basically copied Bedford's VSA and approved it in three months with no discussion with those departments that would be affected. She said that some of the VSA information is incorrect and that the reversion email address did not exist until November 10, 2021. Mayor Lawson explained that there is a great deal of work to be done and Easley will be informed as soon as those details are ironed out. Council Member Pearson thanked Easley for pointing out that so many details are being missed. Pearson feels there should be a round-table discussion with experts like Easley. Easley said other constitutional officers have also expressed concern because they don't know what will happen to their job or their staff when the City reverts. Easley said she is so thankful that she is eligible for retirement. Easley explained that the actual transfer of files to the County is not going to take a lot of time but reviewing those to ensure everything transferred correctly will. No one knows who will be handling billing, there are assumptions being made but no one is communicating with the employees who are doing the job. Neither governing body brought either constitutional office to the table to discuss reversion, how the records would be transferred, who would be responsible for handling the transfer and who would be funding the change-over. Pearson acknowledged that the transfer of data and records will be extremely

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complicated so she understands Easley's concerns. Easley said the Munis conversion in 1999 took their departments approximately 18 months to complete. The software companies are telling her it will take a minimum 12 months to get everything transferred over and without answers, they cannot give her any idea of what it will cost. Mayor Lawson thanked Easley for bringing up several very good points and her concerns will be discussed.

There being no further business, Mayor Lawson adjourned the meeting at 7:30pm.

Karen Roberts, Clerk of Council

Kathy Lawson, Mayor